

Indiana Public Employees' Retirement Fund
Request for Proposals for Third Party Recordkeeping Services for Defined
Contribution Plans
Responses to Vendor Inquiries
July 10, 2003

- 1) Please provide exactly which IRS codes are applicable to the plans (for example 401a, 457, OBRA, cash balance, etc), specifically the ASA plan.**

The Legislators Defined Contribution Plan is an IRC Section 401(a) defined contribution plan.

The Annuity Savings Account (ASA) is a "forced" savings account that can be used to supplement the benefits from PERF's Defined Benefit Pension plan. The ASA, however is portable; the member can receive a distribution of their ASA balance at the time the member leaves PERF's covered employment. The ASA is part of PERF's Defined Benefit Pension plan but functions like a 401(a) defined contribution plan.

- 2) Is this a mandatory bid, or are there specific issue(s) the plan is trying to resolve?**

House Bill No. 1523 (2003) liberalizes the valuation frequency for the PERF Legislators Defined Contribution Plan. The provisions of House Bill No 1523 become effective January 1, 2004. The provisions require plan transactions (such as fund transfers, contributions and distributions) to be processed with frequencies that require daily valuation. The configuration of the current recordkeeping system, SIRIS, does not support daily valuations. As a result, PERF has decided to outsource the recordkeeping of the Legislators Defined Contribution Plan effective January 1, 2004.

As noted in House Bill No. 1523, the changes being made to the Legislators Defined Contribution Plan are considered a "pilot program". PERF must report to the pension oversight commission the results of the pilot program and make a recommendation as to whether or not the pilot program should be implemented on a permanent basis. If PERF recommends that the pilot program should be implemented on a permanent basis, then the pilot program would be implemented for all funds for which PERF has responsibility, which includes the ASA. For a copy of House Bill No 1523, go to www.in.gov/legislator/bills/2003/HE/HE1523.1.html

PERF may want to outsource the recordkeeping of the ASA as the ASA is currently designed (quarterly valuation processing).

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- 3) Please confirm if you are seeking communication and education services in addition to recordkeeping services.**

PERF is not seeking communication and education services in addition to recordkeeping services.

a. If so, please provide copies of the current communication materials.

b. Please describe the current service model, including number of representatives, location of service representatives, number of meetings and seminars per year, etc.

- 4) Can you please provide demographic information on the eligible and participating employees (zip codes)?**

No.

- 5) Who is on the evaluation committee?**

Members of PERF staff are on the evaluation committee.

- 6) What recordkeeping system is the plan currently using? Is it leased or proprietary?**

The recordkeeping system currently being used is the State of Indiana Retirement Information System (or SIRIS). It is a proprietary system developed and maintained by PERF (on a contract basis).

- 7) Please confirm the investments are unitized and JPMorgan Chase is the fund custodian.**

The investments are (or will be) unitized. JPMorgan Chase is the fund custodian.

- 8) Are the assets for these plans in sub-accounts so plan-level statements are available?**

Yes.

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9) Is it acceptable for the vendor to self-insure E&O coverage if the vendor is an insurance company?

Self-insured E&O coverage is an option that the PERF Board would consider. It is up to the Fund to decide whether or not this is acceptable.

10) Please describe the roles of the custodian and the recordkeeper and the administrative processes including:

a. How are the payrolls processed

PERF will gather contribution (and loan repayment) information from the participating employers. PERF will provide contribution (and loan repayment) data electronically weekly to the vendor.

b. Who issues the checks

PERF will issue checks, based on distribution information provided by the vendor.

c. How is tax reporting done

PERF will issue 1099Rs, based on distribution information provided to the vendor.

11) Please explain the timing of the current trading arrangement with JPMorgan Chase including:

a. Receipt of NAVs

Currently, the NAVs are available at 6:00PM CT each day.

b. Late-day trading

All of the underlying investment managers report trades to JPMorgan Chase on a t+1 basis. All cash transfers need to be made by 9:30AM CT each day.

c. Availability/timing of unit values

The unit values will be available at 6:00PM CT.

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The above protocols are expected to be reviewed by the vendor during the implementation process.

- 12) Would it be acceptable to issue a proposal where the vendor handles the check issuing, tax reporting, and trading?**

No.

- 13) If we opt to bid on less than the four scenarios described, would our bid still be considered?**

Yes.

- 14) Can we obtain a copy of the plan documents for the Legislators DC Plan and the Annuity Savings Account plan?**

See IC 2 – 3.5, IC 5 – 10.2 and IC 5 – 10.3. These state laws govern the Legislators DC Plan and the PERF Annuity Savings Account.

The state laws can be accessed at <http://www.in.gov/legislative/ic/code/>.

- 15) Please confirm the number of eligibles, actives and term/vested within each plan.**

	Legislatures Defined Contribution Plan	Annuity Savings Account
Active Members	200	150,000
Terminated Members with balances	60 to 75	Not available

- 16) In the ASA, how many members make elective contributions beyond the state's basic contribution?**

The requested information is not available.

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17) How are these plans communicated to the members? Print, benefit fairs, electronic, etc?

PERF uses print material, PERF's website and outreach/educational meetings for employers and members as the primary of ways of communicating the plans.

18) Should communication/education services be included within our proposal beyond the statement and the service center?

No.

19) The RFP states the ASA is a defined benefit plan with a DC type feature. Could you please expand on this?

See answer to question #1.

20) Is the ASA a deferred compensation arrangement?

No. Currently, the member's mandatory contributions of 3% of pay to the ASA are made in one of two ways:

- a. The employer "picks-up" the contribution; thus, the contribution is made on a pre-tax basis, or
- b. The member makes the contribution on an after-tax basis.

The additional 10% of pay that the member can voluntarily contribute to the plan is made on an after-tax basis.

PERF recently received an IRS Private Letter Ruling that would allow PERF to allow members to make contributions on a pre-tax basis. PERF is in the process of implementing this provision.

21) Please provide call center statistics for the last two years. Specifically, call attempts attributable to the Legislators Defined Contribution Plan and PERF Annuity Savings Account.

The PERF call center began operations in May of 2002.

Since May of 2003, the average number of calls attributable to the Legislators Defined Contribution Plan has been 10 or less per month.

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The total number of calls from May of 2002 through June of 2003 attributable to the PERF Annuity Savings Account has been 2,775 (or an average of 213 calls per month).

- 22) Please provide the number of actual member accounts for both the Legislators Defined Contribution Plan and PERF Annuity Savings Account and new member accounts for the last three years.**

See answer to question #15 for current number of member accounts in each plan.

The average number of new member accounts in the Legislators Defined Contribution Plan in each of the last three years is 20.

The average number of new member accounts in the PERF Annuity Savings Account in each of the last three years is 25,000.

- 23) Please provide contribution and withdrawal information for the last three years.**

The requested information is not available.

- 24) For the most current reporting period, please provide account balances by investment option.**

Legislator Accounts:

S&P 500 Option	\$1,103,761.68
Small Cap Value Option	\$1,099,902.90
Bond Fund Option	\$1,137,813.52
Money Market	\$909,707.30
Intl Option	\$47,932.29
Crif Option	\$8,301,854.56

ASA Accounts:

S&P 500 Option	\$132,630,468.68
Small Cap Value Option	\$108,326,810.16
Bond Fund Option	\$48,417,561.57
Money Market	\$12,168,036.37
Intl Option	\$1,264,575.27
Guaranteed Fund	\$1,675,858,387.04

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- 25) Please provide background and demographic information on employee after-tax contributions. Most notably, how many employers utilize after-tax and how are records maintained on the system currently?**

The requested information is not available.

- 26) As indicated in the RFP, PERF will retain many administrative functions and member contacts/touch points. What are the expectations regarding the duties of the record keeper's call center? What will be their specific functions?**

The duties of the recordkeeper's call center are the following:

1. Provide member with information regarding participant's account (e.g., current balance in each fund).
2. Assist member with the processing of investment elections and investment election changes.
3. Direct member to PERF call center for plan information as directed by PERF.

- 27) In regard to distribution processing, PERF issues the checks to members. The RFP does not address whether check information (i.e. check numbers/dates) will be returned to the administrator. Will the successful respondent have electronic access to view check statuses (still outstanding, cleared, etc?) Please outline.**

The vendor call center will refer any calls regarding checks to the PERF call center. Therefore, PERF will not provide any check information to the vendor.

- 28) What specific informational interface will be required via the web?**

The informational interface requirements via the web will be discussed during the site visit(s) of the finalists.

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- 29) With regard to employer reporting, as the protocols for the Legislators Defined Contribution Plan and the Annuity Savings Account differ, please clarify whether the plans should be reported separately.**

Separate reporting is required for the Legislators Defined Contribution Plan and the Annuity Savings Account.

- 30) Please provide the number of outstanding loans on the Legislators Defined Contribution Plan. How are loan records kept today? Please provide the file layout.**

Currently, there are 27 legislators with outstanding loans in the Legislators Defined Contribution Plan. The total number of loans outstanding is 30.

Currently, the recordkeeping of loans in the Legislators Defined Contribution Plan is a manual process. One of the objectives of PERF is to make this process more automated with the assistance of the selected vendor.

File layouts and formats are not available at this time. In preparing your fee estimate, you should provide a separate estimate for the fees associated with providing data files in formats specified by PERF. The fees for preparation of such data files should not be included in any other fees quoted.

- 31) How are beneficiary elections currently maintained? How are they changed?**

Beneficiary elections are maintained in SIRIS. Members complete and submit to PERF hard copy forms to make and change beneficiary elections.

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- 32) Page 9 references that rollover contributions may be invested in all funds but the Guaranteed Fund. Is this an investment manager requirement or some other consideration? Who is responsible for monitoring that no rollover funds are deposited into the Guaranteed Fund?**

Rollover contributions cannot be invested in the Guaranteed Fund because it is prohibited to do so under State law.

The vendor will be responsible for blocking the Guaranteed Fund as an investment option for rollover contributions. Any respondent to the RFP should indicate if their system cannot block the Guaranteed Fund as an investment option for the rollover account.

Since PERF authorizes the investment of contributions, PERF would have the ultimate responsibility of making sure rollover contributions are not invested to the Guaranteed Fund.

- 33) Page 10 speaks to the limitation of "one election for existing balances and future contributions." Can this be liberalized to afford different elections?**

Any change to the limitation of "one election for existing balances and future contributions" would require a change to the law. PERF understands that liberalizing this provision (allowing separate elections for existing balances and future contributions) is advantageous to the participants. While PERF may consider recommending such a change, there is no guarantee that any change will be made.

- 34) Page 11 states that the "Amount payable is the member's balance as of five business days preceding the date of distribution plus contribution(s) after such date" Can this be liberalized to same day distribution of current account balance?**

Any change to the provision that "Amount payable is the member's balance as of five business days preceding the date of distribution plus contribution(s) after such date" would require a change to the law. PERF may consider recommending such a change if a change would better fit the distribution processing procedures of the vendor (and JP Morgan Chase), but there is no guarantee that any change will be made.

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- 35) Page 19 notes the requirement of “Applying unit values electronically from JP Morgan Chase as needed. Please elaborate on this requirement and discuss roles, required timeframes, and functions of each party.**

The vendor will need to apply unit values electronically from JPMorgan Chase as needed or as dictated by the terms of the plan.

For the Legislators Defined Contribution Plan, members' accounts will need to be updated daily with new unit values.

Under the current provisions of the ASA, unit values would be updated quarterly. Under the new/proposed terms of the ASA, unit values would be updated daily.

It is anticipated that the roles, timeframes and functions of each party will be determined in discussions with PERF, JPMorgan Chase and the selected vendor.

- 36) Page 19 also states that the successful vendor will provide “periodic and scheduled electronic updates to the PERF financial systems in specified formats.” Please outline the type of updates required and the required information. Please provide the file layout.**

It is anticipated that the vendor will send an updated account balance file weekly to PERF.

File layouts and formats are not available at this time. In preparing your fee estimate, you should provide a separate estimate for the fees associated with providing data files in formats specified by PERF. The fees for preparation of such data files should not be included in any other fees quoted.

- 37) Page 19 also speaks to file transfers. Please describe the “digital ID” to be used.**

PERF will use the vendor's digital ID when transferring data files.

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- 38) Page 32, question 4 asks whether our systems can be customized to allow for the processing of transactions (including interface with PERF) as described in attachment E. Please provide data regarding the PERF protocols, operating procedures, systems and file formats.**

File layouts and formats are not available at this time. In preparing your fee estimate, you should provide a separate estimate for the fees associated with providing data files in formats specified by PERF. The fees for preparation of such data files should not be included in any other fees quoted.

- 39) Page 40, in Administrative Fees it references eligibility determination. Please clarify the scope of the requirement**

The recordkeeper will not be responsible for determining eligibility. Respondents should not include eligibility determination in the scope of service to be provided.

- 40) Page 68 speaks to PERF providing demographic information on members via the web. Please outline the demographic information to be provided.**

PERF expects to provide only the demographic data needed by the vendor to administer the plan. Such data would include the member's name, social security number, home address, and dates of birth and hire. The vendor will need to address with PERF the data that the vendor will need to provide the agreed upon recordkeeping and other administrative services.

- 41) Page 71 references vendor accumulation of contribution data received during the quarter and the posting of contributions to member accounts. Will the data be provided electronically? If so, what is the file format?**

The data will be provided electronically.

File layouts and formats are not available at this time. In preparing your fee estimate, you should provide a separate estimate for the fees associated with providing data files in formats specified by PERF. The fees for preparation of such data files should not be included in any other fees quoted.

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- 42) Page 76 states that the vendor will provide distribution payment information to PERF. What is the required file layout?**

File layouts and formats are not available at this time. In preparing your fee estimate, you should provide a separate estimate for the fees associated with providing data files in formats specified by PERF. The fees for preparation of such data files should not be included in any other fees quoted.

- 43) Page 79 references SIRIS. In order for PERF to upload payment information into SIRIS what are the file layout requirements?**

File layouts and formats are not available at this time. In preparing your fee estimate, you should provide a separate estimate for the fees associated with providing data files in formats specified by PERF. The fees for preparation of such data files should not be included in any other fees quoted.